

# USAID INSIGHT

## Quest for Sasyk Revival Continues

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mental disaster; even the dead could find no rest as the rising water of the estuary flooded the old local cemetery. Even then the fate of the Sasyk Estuary did not improve because local officials jumped at the chance to make money from the reservoir. First, they attempted to control fishing rights in the new lake, although the fish were officially declared unsafe to eat. They drew additional funds from the central government to build levees around local cemeteries to prevent the flooding of graves; and spent 50 million UAH on reviving the small local rivers that the damming of the Sasyk had dried up.

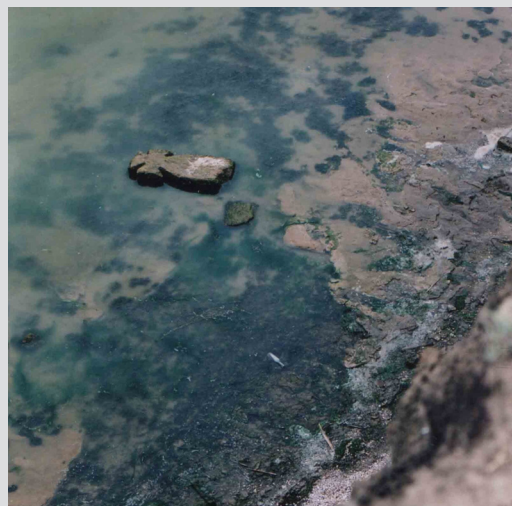
NGO *Vidrodzhennya* finally took the lead in the quest for the revitalization of the Sasyk Estuary. With support from UCAN, the NGO conducted a public opinion survey involving 3,500 citizens, nearly the entire adult population of the area. The people

spoke in favor of the Sasyk, giving *Vidrodzhennya* good grounds to petition the government on behalf of the local community.

In February 2, 2004, the President of Ukraine issued a decree making the upper section of the Sasyk, where nature and wild birds could still withstand the plundering of "meliorators" and poachers, a part of the Danube Biosphere Park.

The independent expert analysis initiated by *Vidrodzhennya* and performed by Moldovan scientists revealed the true extent of the problem. Aerial photos provided needed documentary proof to the scientists from the Institute of Market Problems, and Economic and Environmental

Research of the National Academy of Science of Ukraine of environmental decline in the area. Today the Institute's report is under consideration at the Presidium of the Academy of Science, and the quest for revival of the estuary continues.



Sasyk Estuary - Photo: Ihor Gerzhyk

## USAID Launches Project to Improve Ag Policy in Ukraine

One can only define Ukraine's agricultural development as unrealized potential. While much of the land is covered with a dark, fertile loam and rainfall is abundant, Ukraine had trouble achieving its agricultural potential during the Soviet era and continued to do so during the last 15 years of independent rule. Yet, this country of more than 600,000 square kilometers and 48 million people has been known historically as an agricultural bread-basket with an educated and highly skilled workforce. Ukraine's agricultural sector may now be poised to achieve unprecedented growth if long discussed and badly needed policy reforms are at last implemented.

To encourage positive policy change, in autumn 2005, USAID started a new four-year project for Agricultural Policy, Legal, and Regulatory Reform (AgPLR). Working in close cooperation with the Ukrainian Government, the project provides technical assistance in the implementation of reforms in the agrarian sector of Ukraine. Activities focus on the business environment, including key issues in privatization, restructuring, taxes, subsidies, trade policy, and regulatory reform. The project seeks to provide publicity and transparency for reform initiatives, which in turn, should provide successful results (the Ukrainian ag sector must sustain high growth rates of at least 8 % per annum for 10 years to double current ag production) and strong support for the integration of Ukraine into the world market.

## UKRAINE STRIVES TO ACHIEVE AGRICULTURAL POTENTIAL

The agricultural sector in Ukraine today finds itself at a crucial juncture. While change toward a more market-oriented system is inevitable, the pace at which it is achieved should be accelerated. For an economy where primary agriculture and agribusiness represents about 25 percent of GDP, growth is an absolute necessity if the sector is not to act as a drag on overall development and impede the possible integration of Ukraine into European markets. There is an urgent need for rapid reform in the agricultural sector if Ukraine is to reach the needed growth.

USAID past assistance programs developed and implemented with the Ukrainian private sector and with the Government of Ukraine have laid the foundation for reforming the sector. Since 1992 USAID assistance has played a key role in the introduction of land privatization, the elimination of barter, growth of farm credit, strengthening the private agricultural associations and development of an agricultural extension service. The sum of this work was instrumental in reversing in 2001 the decade long drop in agricultural output.

Few doubt that Ukraine can dramatically increase its agricultural output and processing. USAID estimates that modern production technologies and best practices could increase agricultural output by 60 percent; which would boost agricultural GDP no less than 50 percent over 10 years. It's



Bounty from Zakarpattia (Photo: Roman Salo)

estimated that full exploitation of Ukrainian processed food capacity would increase agricultural GDP another 50 percent in 3-5 years, with an additional 25 percent in 7-10 years.

Whether these goals can be met and the targets achieved within the stated time frames depends to a large extent on whether reform and the move to the private sector occurs at a reasonable and sustained pace.

## EARTH DAY: CARING FOR THE ENVIRONMENT

The annual celebration of International *Earth Day* on April 22 is an event that unites people who care about the environment and ecological issues, and helps to sustain the movement for a clean Earth. Last year Ukrainians actively took part in 35<sup>th</sup> anniversary celebrations with a demonstration on the Khreshchatyk dedicated to waste processing and recycling.

Earth Day was first observed in 1970 in the U.S. when an estimated 20 million people nationwide in the U.S. attended festivities which developed into the largest grassroots environmental movement in U.S. history, and the impetus for national legislation like the Clean Air and Clean Water Acts. It was on that day that Americans made it clear that they understood and were deeply concerned over the deterioration of our environment and the mindless dissipation of our resources. That day left a permanent impact on the politics of America. It forcibly thrust the issue of environmental quality and resources conservation into the political dialogue of the Nation. That was the important objective and achievement of that first *Earth Day*. It showed the political and opinion leadership of the country that the people cared, that they were ready for political action.

For years, the state of the environment was simply a non-issue in the politics of the U.S. In September 1963 President John Kennedy did a national conservation tour across the U.S. It laid the seed that ultimately flowered into *Earth Day*.

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## SAVING THE ENVIRONMENT

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Six years later, at a conference in Seattle in September 1969, Senator Gaylord Nelson of Wisconsin, who had helped to convince President Kennedy to make environmentalism a national issue, announced that in the spring of 1970 there would be a nationwide grassroots demonstration on behalf of the environment and invited everyone to participate. The response was electric. Telegrams, letters and telephone inquiries poured in from across the country. People now had a forum to express their concern for what was happening to the land, rivers, lakes, and air - and they did so with spectacular exuberance.

*Earth Day* worked because of the spontaneous response at the grassroots level. There was no way that anyone could have corralled the resources to organize 20 million demonstrators, and the thousands of schools and local communities that participated. That was the remarkable thing.

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## FARMERS SLOWLY BEGIN TO MASTER LOANS



Oleg Stoyanov, Loan Specialist, (left) consults a new client-farmer (Photo: Dmytro Chernyak)

If you have never applied for a loan, it is probably only a matter of time before you do. Personal and commercial bank loans, commonly used by most everybody in the United States and Europe, are becoming common place in Ukraine as well, including business development loans. Agriculture is no exception.

Stanislav Khomich, an Odesa farmer, has been involved in the agricultural business for 5 years. Like many farmers in southern Ukraine, he grew grains and sunflowers. Then in 2003 he decided to diversify his crop and planted 5 hectares of tomatoes. By 2005, with assistance from the USAID-supported Agricultural Marketing Project (AMP), his tomato acreage increased to 22 hectares. Now Khomich needed additional money to buy agricultural machi-

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HAPPY EASTER!



The United States Agency for International Development's (USAID) principal mission in Ukraine is to help the country to complete the transition to a broad-based democracy with a market-oriented economy. USAID assistance focuses on the following areas: **Economic Growth, Democracy and Governance, Health and Social Sector.**

Since 1992, the USAID has provided USD 1.9 billion worth of technical and humanitarian assistance to Ukraine to further the processes of democratic development, economic restructuring and social sector reform in the region. To get additional information about other USAID programs in Ukraine please visit the USAID website at: [www.usaid.kiev.ua](http://www.usaid.kiev.ua) or call Program Office, tel. (044) 537-4630 or e-mail [omyrtalo@usaid.gov](mailto:omyrtalo@usaid.gov)

Photo courtesy of Gettyimages.com



# FARM BUSINESS MODEL - A TOOL FOR SUCCESS

“Failing to plan is planning to fail” is a popular saying. Unfortunately, many tradition-bound farmers in Ukraine have never paid much attention to planning. In the past, they sold what grew and stored well. Nowadays, the modern market demands a broader variety of products, including high-quality fruit and vegetables, some of which may require more sophisticated handling to get to market.

Commercial agriculture follows the same entrepreneurial laws as any other business. To teach farmers how to maximize profit, the USAID-supported Agricultural Marketing Project (AMP) in Ukraine introduced the *Farm Business Model*, a tool which helps farmers make better management and planning decisions based on analysis of current revenues and expenditure.

“Each agricultural producer keeps track of his farm’s performance (production and sales), but not everyone is able to calculate economic data professionally,” explained Vitaliy Bilan, of *BILAN*, a private enterprise in Odesa oblast. “For several years we used dozens of methods just for vegetable crops. In 2004, we started to use the AMP *Farm Business Model*, which allowed us to choose the optimal sales channels for each crop and to produce more cost-efficient vegetables. As a result, the profitability of our farm increased by 5 percent.”

The *Farm Business Model* allows agricultural producers to organize revenues and expenses in a clear, unified format, and design sales options through different marketing channels. Based on the data they gather, farmers can make decisions on ex-



AMP specialists demonstrate *Farm Business Model* to Serhiy Panchenko, (right), a table grape grower from Odesa Oblast (Photo: Dmytro Chernyak)

panding, decreasing or diversifying their crops. They can also utilize the model when supplying raw materials to food processing enterprises and negotiating prices.

The AMP *Farm Business Model* is an exclusive tool as it provides those in the agricultural market with necessary start-up

(benchmark) information. AMP client farmers involved in the process, submit budget information that is compiled in a database and updated regularly. Thus, the business model can also serve as an industry overview, a production plan and/or marketing plan. It also helps farmers to compare their results with those of others, giving them a basis for judging how well they perform. Having a useful decision-making tool, AMP clients can also receive consultations from industry experts. All these services are presented in a user-friendly (Excel) format, so even a novice computer user can feel comfortable.

Most farmers also find that they have an easier time obtaining bank loans because their business data is clearly organized and easily understandable, and they receive their financing after up to three weeks rather than after the usual two-three month processing period. Vasyl Voloshyn, a farmer in Zakarpattya oblast, was surprised how smoothly everything went when he used the AMP business model approach. “I applied for a bank loan to purchase an irrigation system for my cucumber production, and was delighted to have an answer in a week,” explained Voloshyn.

Although it is predominantly for farmers, food processors, credit institutions, researchers and policy makers have also found the *Farm Business Model* useful in their work.

# PROTECTING THE CARPATHIAN MOUNTAINS

The Carpathian Mountains are a unique 1,500-kilometer ecosystem stretching across seven European countries, including Ukraine. The portion of the ecosystem within Ukraine is considered most neglected and is known throughout the world for the destructive floods that engulfed it in 1998 and again in 2001. The region is plagued with numerous problems, including illegal logging, illegal levels of toxic emissions from surrounding factories that lead to soil contamination and river pollution, as well as negligence in preserving environmental biodiversity. The situation is compounded by flaws in local laws on environmental protection that contain no enforcement or punitive mechanisms to address environmental problems. These factors, in combination with the regions dire poverty, high unemployment and low environmental awareness have caused people living here to react slowly to the contamination and destruction they are witnessing. They have not appreciated fully



A TV Crew interviews an environmental activist at a garbage dump in Lviv Oblast (Photo: Volodymyr Peslyak)

the value of being personally involved and have taken little action to safeguard their environment.

*Ecosphera*, a regional environmental youth coalition based in Uzhhorod, did not

remain indifferent. It took the initiative in uniting and coordinating community efforts by Carpathia’s residents under the *Protect the Carpathians through Community Efforts* project. The *Ecosphera* project conducted three two-day seminars for community representatives on access to environmental information and the protection of citizens’ environmental rights; experience in resolving local community problems in the Carpathian region; and community monitoring of the state of the surrounding environment. It provided legal consultations to 12 clients, as well as general consultations to community representatives on conducting informational campaigns.

*Ecosphera* also gathered representatives of local governments and village schools along with CSOs, and journalists who reside in 23 communities of the four Carpathian regions - Ivano-Frankivsk, Zakarpattya, Lviv and Chernivtsi – and created an information-consulting network. The network participants compiled, analyzed and disseminated information about the state of the surrounding environment. They submitted the materials to the media, along with photos and video film. Eventually, 20 radio and eight TV programs, as well as 37 articles addressed the ecological problems in Carpathia. In addition, 10 educational films about the problems facing the Carpathians and four issues of *Hromada*, (Community), an information-analytical bulletin, were produced.

The intensive information campaign inspired residents to take action and push the government to address environmental issues. As a result, 23 communities were able to solve specific local environmental problems. In one such case, two bituminous coal plants causing excessive pollution were shut down in Lisna Tarnovytsya, a village located in the Ivano-Frankivsk region. In another case, a district government took action to safely seal and store abandoned pesticides. A conflict was also resolved among residents of Polyana, a village in Zakarpattya oblast, where illegal logging activities took place.

*Ecosphera* activities started a chain reaction as local communities began to implement sustainable development strategies, submitting grant proposals for various project, including rural and green tourism development; innovative plumbing systems for mountainous villages; use of “green” electricity; and development and promotion of local products. Finally, local community and government leaders were moved to draft a proposal to the Parliament in Kyiv to give local governments more taxation authority, which would increase local budgets and allow communities to more effectively resolve local issues, including the environmental problem.

## NADRA BANK TO DOUBLE AG LOANS IN ODESA OBLAST

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nery, fuel and chemicals, and to cover labor costs if he was to cultivate his fields most efficiently. A bank loan seemed the only way to get capital funding.

The machinery he could offer as collateral was worth no more than 60,000 UAH. Most banks would have only agreed to extend a maximum loan amount of 25,000 UAH. However, with help from the USAID-supported *Development Credit Authority* program, implemented by NADRA bank, he was able to secure a loan for 50,000 UAH.

Loans to farmers are still a rare practice in Ukraine. There are several factors that impede loans development in this business sector. On the one hand, a land moratorium imposed until January 1, 2007, prohibits farmers from using land as collateral. Also, farmers generally find the process of obtaining credit inconvenient. In addition, due to the numerous documents required in a loan application, the review and decision-making processes can take a long time.

From banking perspective, agricultural loans are still viewed as an unattractive undertaking because of numerous bad deals in the late ‘90s and early 2000s. In general, the agricultural business in Ukraine is still perceived as risky and unreliable. A

majority of private family farmers manage smaller farms and usually need only moderately sized loans. These smaller farms are often remote and scattered throughout the oblasts; hence, banks accrue significant transport expenses when conducting their analysis and later auditing the business. In

**LAST YEAR NADRA BANK GRANTED LOANS WORTH \$82,500 TO EIGHT FARMS LOCATED THROUGHOUT ODESA OBLAST. THIS SEASON, THE NUMBER OF LOANS GRANTED BY NADRA BANK IN ODESA OBLAST TO FARMERS IS EXPECTED TO DOUBLE.**

addition, loan officers and specialists usually have little experience and/or knowledge in this industry and do not really understand the costs and returns from different agricultural enterprises. Furthermore, agricultural insurance is under developed in Ukraine and as a result there is a greater risk of farmers losing their harvests and failing to repay loans.

Today agricultural producers generally no longer have only themselves to rely on.

In some southern and central regions of Ukraine a USAID special program called “Agro+” is working for rural entrepreneurs, including farmers. In this program, farmers obtain access to credit more readily. The USAID-supported *Micro Lending Project in Ukraine* provides technical and financial assistance to banks working within the framework of this program, and Agricultural Marketing Project’s target clients, who are small and medium farmers, are also being included.

In 2005, AMP jointly with Nadra Bank tried to improve the agricultural lending situation in Odesa oblast. Last year Nadra Bank granted loans worth \$82,500 to eight farms located throughout the oblast. This year, the number of loans granted by Nadra Bank in Odesa oblast to farmers is expected to double.

Mr. Khomich was due to repay the loan he had obtained by the winter, but the bank had its money right after the fall harvest. While many banks are still hesitant in granting money to farmers, and farmers are still reluctant to apply for loans, cooperation between Mr. Khomich and Nadra Bank is an encouraging example in the development of the agricultural credit sector.

## REPENTANCE AND REVIVAL



Aerial photo of the Sasyk Estuary (Photo: Ihor Gerzhyk)

“During Soviet times, one had two things to fear – militarization and meliorism.” This bitter joke comes from Iryna Vykhrystiuk, leader of *Vidrodzhennya* (Rebirth), a non-governmental organization located in Tatarbunary, Odesa region. Still, while the military threat targeted external enemies, it was the state’s citizens who had to bear the impact of reckless projects designed by bungling “meliorators”. It suffices to mention the absurdly monumental plans to reverse the course of Siberian rivers, or the destruction of the Sea of Aral.

In Ukraine, where instances of irresponsible human intrusion into the natural environment are also abundant, there is the case of the Sasyk Estuary on the Black Sea, which Soviet officials had planned to convert

into a fresh water reservoir. The intention was to build a dam that would separate the 35 by 11 kilometer estuary from the sea, pump out the saltwater and displace it with freshwater from the Danube River, which was eventually be used to irrigate the steppe soils on the plain between the Danube and the Dniester Rivers.

The attempt to alter nature’s course began in 1978 by those who thought that humans could meddle with the environment in with no adverse consequences. In today’s prices, it cost over \$5 million to build the dam. However, unlike people, nature refused to comply with Soviet designs. Salty estuary mud and highly mineralized underground water springs turned the artificially formed lake into a kind of salty soup, and a crust of salt covered the irrigated fields. Today agronomists admit that local political bosses, unwilling to admit their mistake, forced them to submit falsified expert analyses and report success in field irrigation, while in reality, excess quantities of saltwater was devastating 19,000 hectares of land and ruining harvests.

It was only in 1994 that the reckless experiment was halted; but the estuary remained isolated. Local communities in the area became part of a growing environ-